

FY 2008-09 BUDGET PRESENTATION
TO
SENATE FINANCE
HIGHER EDUCATION BUDGET SUBCOMMITTEE

SENATOR JOHN E. COURSON, *CHAIRMAN*
SENATOR JOHN W. MATTHEWS, JR.
SENATOR CLEMENTA C. PINCKNEY
SENATOR RONNIE W. CROMER



SC COMMISSION ON HIGHER EDUCATION
DR. GARRISON WALTERS, EXECUTIVE DIRECTOR

March 13, 2008

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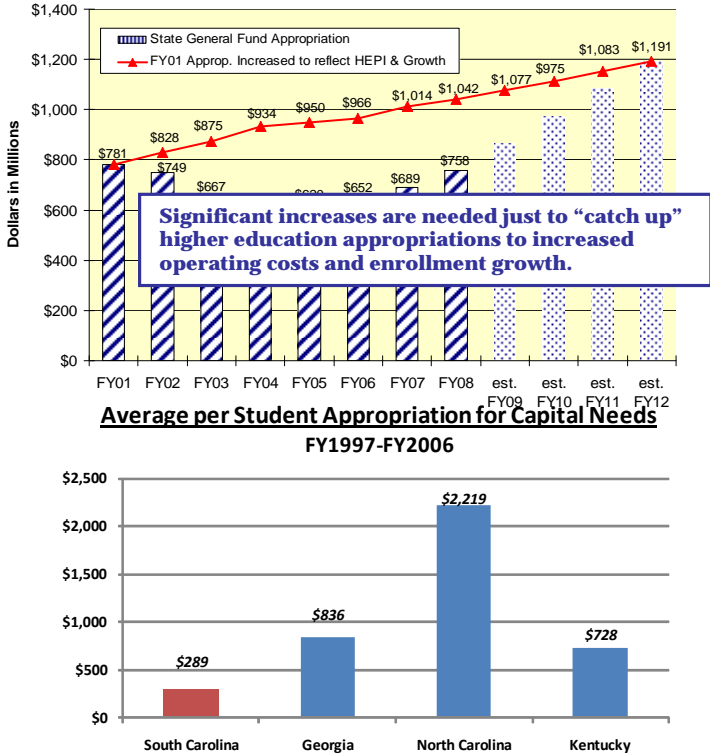
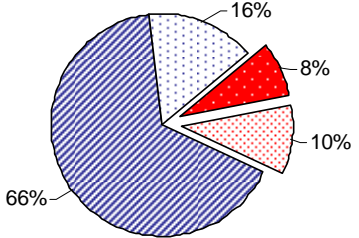
**Summary of FY 2008-09 Budget Requests and Comparison to Ways & Means
Recommendations for FY 2008-09:**

- Higher Education Institutions
- SC Commission on Higher Education (CHE) Agency

Importance of Higher Education to South Carolina’s Future Success

Attachment.....CHE Proviso Requests for FY 2008-09

Summary CHE's FY 2008-09 Budget Requests and Comparison to Ways and Means Committee Recommendations

CHE Requests	House Ways & Means Recommendations										
<p>➤ Public Colleges & Universities Core Operating Needs - \$35,622,874 recurring increase, and also support for Capital Bond Funding for Higher Education – <i>Lack of state support for facilities hurts quality and drives up tuition.</i></p>  <p>Significant increases are needed just to “catch up” higher education appropriations to increased operating costs and enrollment growth.</p> <p>Average per Student Appropriation for Capital Needs FY1997-FY2006</p> <table border="1"> <caption>Estimated Data for Average per Student Appropriation for Capital Needs</caption> <thead> <tr> <th>State</th> <th>Appropriation (\$)</th> </tr> </thead> <tbody> <tr> <td>South Carolina</td> <td>\$289</td> </tr> <tr> <td>Georgia</td> <td>\$836</td> </tr> <tr> <td>North Carolina</td> <td>\$2,219</td> </tr> <tr> <td>Kentucky</td> <td>\$728</td> </tr> </tbody> </table>	State	Appropriation (\$)	South Carolina	\$289	Georgia	\$836	North Carolina	\$2,219	Kentucky	\$728	<p>W&M did not recommend. W&M recommendations include base cuts of 2.4% and additional base reductions for CIO charges and travel totaling approximately \$23,000,000 across public institutions.</p> <p>The only other recommended institutional funding included nonrecurring funding totaling \$3,220,000 for specific projects across eight institutions.</p>
State	Appropriation (\$)										
South Carolina	\$289										
Georgia	\$836										
North Carolina	\$2,219										
Kentucky	\$728										
<p>➤ Need-Based Grant Program - \$13,277,323 recurring increase. ALSO: Add proviso to enable distribution of funds to public institutions based on Pell Grant eligibility and not enrollment. (See Attachment)</p> <p>FY 2007-08 State Appropriations for Scholarship & Grant Programs</p>  <p>Need-Based</p> <ul style="list-style-type: none"> ■ CHE Need-based ▨ Tuition Grants ▤ Merit-Based (PF, LIFE, Hope) ▧ Lottery Tuition Assistance 	<p>W&M did not recommend increased funding, but did include in the Lottery Proviso a provision to give Need-based Grants the balance of Unclaimed Prize funds after expenditure of certified funds of \$8.4 million.</p> <p>W&M is recommending <u>Proviso 6.28</u>, which enables the requested change with increased funding.</p>										

CHE Requests	House Ways & Means Recommendations
➤ Other Scholarship/Grant Programs: Palmetto Fellows, LIFE, Hope, & National Guard Tuition Assistance – Continued full support in general & lottery funds and provide an increase of \$11,000,000 for Lottery Tuition Assistance	See table that follows for a description of recommended funding.

Recommended Funding for Scholarship and Grant Programs*						
	Palmetto Fellows	LIFE	HOPE	Need-Based	Lottery Tuition Assistance	National Guard Tuition Assistance
W&M FY09 Recommendation						
General Fund “New”	\$1,361,750	\$19,161,447	\$308,504	\$0	\$0	\$0
“Base”	\$12,000,000	\$85,123,335	\$0	\$12,000,000	\$0	\$0
Lottery Funds	<u>\$28,915,490</u>	<u>\$52,004,207</u>	<u>\$7,767,606</u>	<u>\$11,631,566</u>	<u>\$47,000,000</u>	<u>\$1,700,000</u>
W&M Total	\$42,277,240	\$156,288,989	\$8,076,110	\$23,631,566	\$47,000,000	\$1,700,000
FY08 Total Funding	<u>\$40,915,490</u>	<u>\$147,727,542</u>	<u>\$7,767,606</u>	<u>\$23,631,566</u>	<u>\$47,000,000</u>	<u>\$3,000,000</u>
Difference W&M Total minus FY08	\$1,361,750	\$8,561,447	\$308,504	\$0	\$0	(\$1,300,000)
CHE FY09 Request	Fully Fund	Fully Fund	Fully Fund	Increase \$13,277,323	Increase \$11,000,000	Continue \$3,000,000
*Tuition Grants not reflected here. Lottery funding recommended for this program is the same as last year, \$7,766,604. Other funds for this program are recommended through SC Tuition Grants Commission.						

<p>➤ Continued support of all other higher education lottery programs.</p> <p>In FY 2007-08, lottery funding included a total of \$216,585,473 for higher education programs inclusive of scholarship/grant programs.</p> <p>Other (non-scholarship/grant) higher education programs receiving lottery funding include: Centers of Economic Excellence, Technology for 4-yr & 2-yr Public Colleges, SC State, and Higher Education Excellence Enhancement</p>	<p>W&M recommends level funding for each of the other programs:</p> <p>CoEE: \$30,000,000 Technology: \$12,000,000 SC State: \$2,500,000* H.E.E.E.P: \$4,700,000</p> <p><i>*also funded with general funds</i></p>
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CHE Requests	House Ways & Means Recommendations
<p>➤ Cooperative Programs</p> <p>-- PASCAL Statewide Electronic Library - \$2,500,000 recurring</p>	W&M did not include any funding for this project which has received non-recurring funding since FY 2004-05
-- Support for increases or continued funding of	
SC LightRail, continue \$4,500,000 in non-recurring	Recommended
EPSCOR, \$982,464 recurring increase	Not Recommended
Univ. Center of Greenville Operating, \$1,281,301 recurring increase	Recommended Nonrecurring \$1,112,229
Univ. Center, Greenville Technical College Maintenance & Debt Service, \$635,919 recurring increase	Not Recommended
SCMEP, continue \$1,200,000 received in non-recurring	Recommended in non-recurring \$1,200,000
CHE Agency Requests	
CHE Agency Technology, continue \$130,000 received in nonrecurring in recurring funds	W&M Recommended continuation of \$130,000 nonrecurring
SC GEAR UP, \$200,000 recurring increase	Not Recommended
A&E Program Initiative, \$400,000 recurring increase	Not Recommended
SREB Programs and Services, \$145,735 recurring increase	Not Recommended
	OTHER: W&M has recommended CHE Base Reductions totaling of \$549,749. Includes a 2.4% base cut and CIO charges and travel cuts.
Other CHE Proviso Requests:	See Attachment 4
Amend 5A.27 for Critical Needs Nursing Initiative to enable appropriated nursing salary funds to be transferred to institutions.	Did not recommend
Amend 5A.28 to conform date for Higher Education Study Committee	Recommended

We recognize that we are facing a difficult budget year and that it will not be possible to accomplish all of our goals. Looking ahead, however, we want to take a few minutes to emphasize why higher education is so important to the economy and South Carolina's future success.

Support for higher education is the lever by which the government can move the entire economy.

~ Paul Romer, Professor, Graduate School of Business at
Stanford University and Senior Fellow at the Hoover Institution

Higher Education in Today's Economy – SC in the Knowledge Economy

- Not just science and technology, but shift from labor and physical resources to products and services based on knowledge and knowledgeable people.
- The transition is happening in South Carolina now. Over just the past 10 years:
 - ↓ down 25% - Manufacturing
 - ↑ up 28% - Finance & Insurance
 - ↑ up 22% - Professional Services
 - ↑ up 42% - Health Care & Social Assistance
- In the Flat World, we are competing with low-wage earners around the world for low-end jobs in manufacturing and even in services. We have to move up the knowledge scale or see our standard of living fall.
 - Examples of outsourcing and automation: aircraft maintenance, reading x-rays, claims processing, telephone help, even order-taking in drive through windows.
 - What's next? Knowledgeable people can deal with these transitions.
- Some South Carolina indicators
 - Education levels of 25-64 year olds (2000 Census):
 - SC ranks **41st** in the percentage with a Bachelor's degree or higher
 - SC ranks **23rd** in the percentage with an Associate's degree
 - Research and innovation: Sponsored university *research per capita* is **below** the US average (75% below the average) based on recently reported National Science Foundation statistics
 - SC ranks **39th** in total Research & Development expenditures per capita (2005)
 - Overall ranked **38th** in the *New Economy Index (2002)* that focuses on "17 indicators to measure degree to which state economies were structured and operated according to the tenets of the New Economy."
- The competition: other states have plans to focus on higher education
 - Need to do more just to catch up to the average
 - Remember that the average is a moving target—States and nations know about the Knowledge Economy and are moving actively to be more competitive

Example

NC transformed its economy by investing in higher education

In 1960, KY's per capita income
\$1 higher than NC

1960-2000, NC invested in higher education
well above national average; KY support
was about average

In 2000, NC's per capita
income was about
\$2800 more than KY

If KY had followed NC's path, its personal income in 2000 could have been \$11.2 billion higher

KY now is explicitly following NC's success;

Currently, KY has a higher education plan designed to do the same thing NC did

Summary

- **SC has a great foundation to build on –**
 - **Recent K-12 momentum / Excellent colleges doing outstanding work and ready to increase scale**
 - **SC will have a great Action Plan (4-5 year horizon) to increase competitiveness**
 - Clearly defined goals directly connected to benefit SC's economy and quality of life
 - Clear indicators of responsibilities and return on investment
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CHE Proviso Requests for FY 2008-09

CHE has requested the following three provisos be amended or added in FY 2008-09. Detailed explanations in the required format have been submitted.

ADD

NEW (CHE: Need-based Grant Allocation). Need-based grant funds for public institutions must be allocated using a methodology that considers state resident Pell Grant recipients such that each public institution shall receive an amount sufficient to provide a similar level of state support per resident Pell recipient when compared to tuition and required fees. However, no public institution shall receive less funding than would be provided under methodology used in FY 2007-08.

The requested change will enable the current methodology per 59-142-40 and the corresponding regulation, which require allocation based on full-time resident enrollment in the prior year, to be changed so that support per full-time equivalent resident Pell recipients as a percentage of tuition and required fees can be used as the basis of the allocation provided no institution in the upcoming would receive less funding than it would under the current methodology.

AMEND

5A.28 (CHE: Higher Education Task Force) The funds appropriated to the Commission on Higher Education for the Task Force on Higher Education Study Committee shall be utilized to establish the Higher Education Task Force whose mission shall be to develop and recommend an evolving, multi-year statewide strategic plan for higher education in South Carolina to meet the needs of the state as can be addressed by higher education. . . . The task force shall submit recommendations for the Higher Education Statewide Strategic Plan to the General Assembly by ~~February 1, 2008~~ **September 15, 2008.**

The requested change amends the reporting date from February 1, 2008, to September 15, 2008, making the proviso consistent with recent action of the General Assembly. (See S.1034, joint resolution, effective as of 2/19/08)

AMEND

5A.27 (CHE: Critical Needs Nursing Initiative) The funds appropriated to the Commission on Higher Education for the Critical Needs Nursing Initiative shall be used ~~for nursing faculty salary enhancements for the purpose of implementing the Critical Needs Nursing Initiative Fund per 59-110-10, et seq., of the 1976 Code of Laws as amended. Funds allocated for nursing faculty salary enhancements and new nursing faculty~~ **The commission, upon consultation with members of the Advisory Committee on Academic Programs (ACAP) from institutions with accredited nursing programs and the chairperson, or designee, of the South Carolina Council of Deans and Directors in Nursing Education, shall determine shall be permanently transferred and distribute the funds** to the **affected** institutions. ~~where such faculty are employed.~~ The governing body of the institution, pursuant to its procedures, shall then allocate these enhancements among its affected faculty in such amounts as it determines appropriate consistent with their salary guidelines.

CHE requests that the proviso be amended to enable the legislation (Act 49 of 2007, The Critical Needs Nursing Initiative) to prevail in regard to the existing recurring funds and any other funding appropriated for this initiative. Additionally, CHE is requesting that the proviso also be amended such that any funds appropriated for the purpose of nurse faculty salary enhancements or new faculty are transferred from the Commission's budget to institutional budgets. This change would enable institutions to permanently adjust (enhance) salaries and to hire faculty through recurring funds if such funds are appropriated.